

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA                   :       Hon. William J. Martini  
  :       :  
  :       Crim. No. 05-87  
  :       :  
ROBERT MONTANI                             :       :  
  :       18 U.S.C. §§ 371, 1343,  
  :       1346 & 2

S E C O N D  
S U P E R S E D I N G  
I N D I C T M E N T

The Grand Jury in and for the District of New Jersey,  
sitting in Newark, charges:

COUNT ONE  
(Conspiracy to Commit Securities Fraud  
and Wire Fraud)

Relevant Entities

1. At all times relevant to this Indictment unless  
otherwise indicated:

a. Bryn Mawr Investment Group, Inc., also known as  
Valley Forge Securities, Inc. (hereinafter "BMIG/VFS"), was a  
securities broker-dealer that offered a variety of brokerage  
services to customers throughout the United States. BMIG/VFS had  
its headquarters at 919 Conestoga Road, Rosemont, Pennsylvania.  
At various times relevant to this Indictment, BMIG/VFS operated  
additional offices in Staten Island, New York; New York, New

York; and in Florida.

b. Lloyds Bahamas Securities, Ltd. was a Bahamian entity.

c. Eagletech Communications, Inc. (hereinafter "Eagletech") was a publicly-traded communications technology company from at least as early as in or around April 1999.

d. Select Media Communications, Inc., also known as Nations Media & Entertainment, Inc., (hereinafter "SMTV") was a publicly-traded entertainment company from at least as early as in or about December 1999.

e. Schroder & Co. was a clearing broker for the BMIG/VFS offices, and in turn, Schroder & Co. cleared through LEWCO, located in Jersey City, New Jersey, during the period from in or around August 1999 to in or around June 2001.

f. Bank of New York Clearing, also known as Pershing, located in Jersey City, New Jersey, was a clearing broker for the BMIG/VFS offices from in or around June 2001 to in or around December 2001.

#### The Defendant

2. At all times relevant to this Indictment:

a. Defendant ROBERT MONTANI was the Compliance Officer, Director of Operations, and a broker employed at the headquarters of BMIG/VFS in Rosemont, Pennsylvania.

Certain Co-conspirators

3. At all times relevant to this Indictment, unless otherwise indicated:

a. TONINO LABELLA, a/k/a "Tony," who is named as a co-conspirator but not as a defendant herein, was the Chief Executive Officer of BMIG/VFS. Co-conspirator LABELLA was also a beneficial owner of Lloyds Bahamas Securities Ltd.

b. JOHN SERUBO, who is named as a co-conspirator but not as a defendant herein, was a stock promoter.

c. "T.K.," who is named as a co-conspirator but not as a defendant herein, was the Managing Director of Lloyds Bahamas Securities, Inc.

d. JAMES CAVALIERE, who is named as a co-conspirator but not as a defendant herein, was the Compliance Officer and co-managed a BMIG/VFS office located in Staten Island, New York from in or around September 1999 to in or around December 2000.

e. ALEXANDER RICCI, who is named as a co-conspirator but not as a defendant herein, was a broker and co-managed the BMIG/VFS Staten Island office during the period from in or around September 1999 to in or around December 2000.

f. FRANK PERSICO, who is named as a co-conspirator but not as a defendant herein, co-managed and recruited brokers to work at the BMIG/VFS Staten Island office during the period from in or around September 1999 to in or around June 2000.

g. ADAM KLEIN, who is named as a co-conspirator but not as a defendant herein, was a broker and succeeded co-conspirators RICCI and CAVALIERE as a co-manager of the BMIG/VFS Staten Island office and later co-managed a BMIG/VFS office located on Maiden Lane in New York, New York.

h. JOSEPH FERRAGAMO, who is named as a co-conspirator but not as a defendant herein, was a broker and succeeded co-conspirators RICCI and CAVALIERE as a co-manager of the BMIG/VFS office in Staten Island, and was a co-manager of the BMIG/VFS office on Maiden Lane in New York, New York.

i. "A.V.," who is named as a co-conspirator but not as a defendant herein, was a broker at the headquarters of BMIG/VFS located in Rosemont, Pennsylvania.

j. "A.C.," who is named as a co-conspirator but not as a defendant herein, was a broker employed at a BMIG/VFS office in Florida.

#### The Conspiracy

4. From in or around April 1999 to in or around December 2001, in the District of New Jersey, and elsewhere, defendant

ROBERT MONTANI

did knowingly and willfully conspire and agree with others to commit offenses against the United States, that is:

a. by use of the means and instrumentalities of interstate commerce, the mails, and facilities of national

securities exchanges, directly and indirectly, to knowingly and willfully use manipulative and deceptive devices and contrivances in contravention of Title 17, Code of Federal Regulations, Section 240.10b-5 (Rule "10b-5") in connection with the purchase and sale of Eagletech stock and SMTV stock by (i) employing devices, schemes, and artifices to defraud members of the investing public; (ii) making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) engaging in acts, practices, and a course of business which operated and would operate as a fraud and deceit upon purchasers of Eagletech stock and SMTV stock and other members of the investing public, contrary to Title 15, United States Code, Sections 78j(b) and 78ff(a) and Rule 10b-5; and

b. to devise a scheme and artifice to defraud purchasers of Eagletech stock and SMTV stock and other members of the investing public, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and to use interstate wire communications for the purpose of executing such scheme and artifice, contrary to Title 18, United States Code, Section 1343.

### Objects of the Conspiracy

5. It was an object of the conspiracy for defendant MONTANI and his co-conspirators to profit from the manipulation of certain securities.

6. It was a further object of the conspiracy for defendant MONTANI and other co-conspirators to earn excessive, undisclosed commissions in connection with the sales of certain securities.

### Means and Methods of the Conspiracy

7. Among the means and methods employed by defendant MONTANI and his co-conspirators to carry out the conspiracy and effect its unlawful objects were those set forth in Paragraphs 8 through 35 below.

### The Manipulation of Eagletech Stock

8. In and around April 1999, co-conspirators SERUBO and LABELLA agreed to assist the founder of Eagletech Communications, a publicly traded company, in raising capital for Eagletech by causing Eagletech to issue an additional 10,000,000 shares in exchange for an investment of approximately \$1.2 million dollars.

9. Co-conspirators LABELLA and A.V. and defendant MONTANI raised capital by purporting to sell the newly-issued shares of Eagletech to a small group of selected investors (hereinafter "the selected investors"). Although they took investment money from the selected investors, no Eagletech shares were actually issued to or owned by the selected investors. Instead, the

Eagletech shares were issued to co-conspirators SERUBO and LABELLA and their nominees.

10. In addition, co-conspirators SERUBO and LABELLA required Eagletech to execute a series of "reverse stock splits" which had the effect of reducing the number of outstanding freely-traded shares of Eagletech stock and increasing the percentage of Eagletech stock controlled by co-conspirators SERUBO and LABELLA. As a result, co-conspirators SERUBO and LABELLA controlled over 90% of the outstanding, freely-traded shares of Eagletech stock. Defendant MONTANI did not disclose co-conspirator LABELLA's interest in and control of Eagletech to the selected investors.

11. Defendant MONTANI and co-conspirators LABELLA and T.K. sent letters from Lloyds Bahamas Securities, Inc., to the selected investors that purported to confirm their purchases of Eagletech shares.

12. Co-conspirator LABELLA paid defendant MONTANI and co-conspirator A.V. approximately 25% commissions on the sales of Eagletech shares to the selected investors. Defendant MONTANI did not disclose the value of his commissions to the selected investors.

13. Over the course of the conspiracy, co-conspirators LABELLA and SERUBO caused the transfer of the Eagletech shares held by them and their nominees to brokerage accounts held in the

names of Lloyds Bahamas Securities and other entities controlled by co-conspirators LABELLA and SERUBO (hereinafter the "Lloyds/internal brokerage accounts").

14. Co-conspirator LABELLA then began to sell and caused the sale of the Eagletech shares held in the Lloyds/internal brokerage accounts to the market by (a) selling Eagletech shares to other firms known as "market makers" and (b) causing the brokers employed at the BMIG/VFS offices to promote and sell Eagletech stock to retail customers. Specifically, co-conspirator LABELLA offered BMIG/VFS brokers excessive commissions ranging from approximately 30% to approximately 50% on the sales of Eagletech stock to BMIG/VFS customers.

15. Co-conspirators RICCI, CAVALIERE, and PERSICO agreed to participate in the broker-kickback scheme and relayed the scheme to certain brokers in the Staten Island office, who also agreed to participate.

16. The broker-conspirators employed at the Staten Island office used deceptive practices in furtherance of the Eagletech stock manipulation scheme, including refusing requests by BMIG/VFS customers who had purchased shares of Eagletech to sell their shares.

17. Co-conspirator CAVALIERE periodically faxed tallies of the Eagletech shares sold by the brokers in the Staten Island office to defendant MONTANI and co-conspirator LABELLA at the



Rosemont headquarters for the purpose of obtaining kickback payments from co-conspirator LABELLA.

18. Defendant MONTANI directed the sale of Eagletech stock to retail customers from the Lloyds/internal brokerage accounts. Defendant MONTANI also relayed information that he received from the Staten Island office concerning the names of brokers who sold Eagletech, and the quantities of shares they sold, to co-conspirator LABELLA.

19. Co-conspirator LABELLA paid kickbacks to co-conspirators RICCI, CAVALIERE and PERSICO and other brokers in the Staten Island office for the sale of Eagletech stock through various means, including checks and wire transfers of funds.

20. As to the selected investors, defendant MONTANI and co-conspirators LABELLA and A.V. eventually purported to liquidate most of each selected investor's Eagletech holdings by informing the selected investors that BMIG/VFS had sold their Eagletech shares on their behalf.

21. The conspirators used or caused the use of various instrumentalities of interstate commerce, including the following: telephonic solicitations of customers; facsimile transmissions of "tickets" reflecting trades of Eagletech stock and other documents to the BMIG/VFS headquarters in Rosemont, Pennsylvania and other locations; and electronic communications regarding Eagletech trades sent by headquarters staff via

computer to clearing firms, including clearing firms located in New Jersey, and thereafter to a national securities exchange.

22. From in and around August 1999 to in and around December 2000, the conspirators sold Eagletech stock to members of the investing public from the Lloyds/internal brokerage accounts at prices ranging from 70 cents per share to approximately \$14 per share. The conspirators obtained millions of dollars from the manipulation of Eagletech stock.

#### The Manipulation of SMTV Stock

23. In and around November 1999, co-conspirators LABELLA and SERUBO, defendant MONTANI and others commenced to manipulate SMTV stock using the same methods as those employed with the manipulation of Eagletech stock.

24. As with the manipulation of Eagletech, in order to raise capital for SMTV, defendant MONTANI and co-conspirators LABELLA and A.V. engaged in purported sales to a selected group of investors, who never actually held or owned SMTV shares. Defendant MONTANI earned excessive commissions on these transactions that he did not disclose to his selected investors.

25. Co-conspirators LABELLA and SERUBO caused SMTV to issue approximately 4.5 million unregistered shares of common stock to co-conspirators LABELLA and SERUBO and their nominees in exchange for approximately \$1,000,000. In addition, co-conspirators LABELLA and SERUBO directed SMTV to execute a reverse stock

split, which caused the number of outstanding freely-traded shares of SMTV to decrease. The result was that co-conspirators LABELLA and SERUBO controlled over 90% of SMTV stock.

26. During the period from in and around January 2000 to in and around December 2001, co-conspirators LABELLA and SERUBO caused the transfer of the SMTV shares held in their names and the names of their nominees to brokerage accounts controlled by co-conspirator LABELLA, including the Lloyds/internal brokerage accounts.

27. Co-conspirator LABELLA then caused the SMTV shares held in the Lloyds/internal brokerage accounts to be sold to members of the investing public. Co-conspirator LABELLA offered BMIG/VFS brokers excessive commissions valued at approximately 50% of the total proceeds of the sales of SMTV stock.

28. In or around June 2000, co-conspirator PERSICO left the BMIG/VFS Staten Island office. Co-conspirators RICCI and CAVALIERE continued to run the Staten Island office until in or around December 2000. In or around December 2000, co-conspirators KLEIN and FERRAGAMO took over the management of the Staten Island BMIG/VFS office and commenced to participate in the manipulation of securities, including SMTV, and the receipt and payment of broker kickbacks. In and around January 2001, co-conspirators KLEIN and FERRAGAMO and the brokers under their supervision moved their offices and established the BMIG/VFS

Maiden Lane office in Manhattan where the scheme continued.

29. As with the manipulation of Eagletech stock, defendant MONTANI directed the sale of SMTV shares to the firm's retail customers from the Lloyds/internal brokerage accounts, directed the crossing of customer trades of SMTV stock, and facilitated the payment of broker kickbacks by providing information to co-conspirator LABELLA concerning the names of brokers who sold SMTV and the quantities of shares each sold at the Staten Island and Maiden Lane offices.

30. The conspirator-brokers engaged in deceptive sales in connection with the manipulation of SMTV stock, including refusing to sell SMTV stock upon the requests of the customers and executing the sale of shares of SMTV from a customer's account only when the shares could be crossed with shares being purchased by another customer in order to support the price of the stock. The conspirators similarly used or caused the use of various instrumentalities of interstate commerce as set forth above in paragraph 21.

31. The conspirators earned millions of dollars as a result of the manipulation of SMTV stock.

The Use of  
Bahamian Axxess International Cards

32. In 1999, co-conspirator LABELLA introduced the use of Axxess International ATM/credit cards to the conspiracy. The Axxess cards were linked to Bahamian bank accounts and were used

by the conspirators to conceal and transfer the illegal proceeds from their stock manipulation scheme.

33. Axxess cards were issued to defendant MONTANI, co-conspirators LABELLA, RICCI, CAVALIERE, PERSICO, KLEIN, FERRAGAMO and others. Co-conspirator LABELLA periodically directed co-conspirator T.K. to deposit certain amounts of money in each of co-conspirators' Bahamian accounts and these amounts represented, among other things, the particular co-conspirator's periodic share of the manipulation scheme or funds to be used for broker-kickbacks payments.

34. The funds deposited in defendant MONTANI'S Axxess account included the excessive commissions he earned from brokering sales of Eagletech and SMTV to the selected investors, and from the liquidation of stock he held in the Bahamas.

Overt Acts

35. In furtherance of the conspiracy and in order to effect the objects thereof, defendant MONTANI and his co-conspirators committed or caused the commission of the following overt acts in the District of New Jersey and elsewhere:

a. In or around August 2000, defendant MONTANI spoke on the telephone with a BMIG/VFS customer in Barrington, New Jersey herein referred to as "Customer P.V." and refused Customer P.V.'s request to sell his shares of SMTV.

b. In or around May 2001, co-conspirators LABELLA and A.C. went to a strip club located in New Jersey near Routes 1 & 9, where the two discussed A.C. joining the BMIG/VFS Florida office and earning kickbacks from the sale of SMTV stock.

c. On or about November 17, 2001, in Cape May, New Jersey, defendant MONTANI used or caused the use of his Axxess card for a transaction valued at \$424.44.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO  
(Wire Fraud)

1. Paragraphs 1 through 3 and 5 through 35 of Count One of this Indictment are realleged as if set forth in full herein.

2. In or around August 2000, in the District of New Jersey, and elsewhere, defendant

ROBERT MONTANI

did knowingly and willfully devise, and aid and abet in devising, a scheme and artifice to defraud to (a) obtain money by means of material false and fraudulent pretenses, representations and promises; (b) deprive a broker's customer of the intangible right to a broker's honest services; and (c) violate a broker's duty to disclose to his customer all material facts concerning securities transactions in the customer's account, as set forth in the incorporated paragraphs of Count One, and for the purpose of executing such scheme and artifice, transmitted and caused to be transmitted by means of wire communication in interstate commerce, writings, signs, and signals, that is, a telephone call between defendant MONTANI and BMIG/VFS Customer P.V. of Barrington, New Jersey, wherein defendant MONTANI refused Customer P.V.'s request to sell shares of SMTV held by Customer P.V.

In violation of Title 18, United States Code, Sections 1343, 1346 and 2.

COUNT THREE

(Conspiracy to Impair and Impede the Internal Revenue Service)

1. Paragraphs 1 through 3 and 5 through 35 of Count One of this Indictment are realleged as if set forth in full herein.

2. From in and around September 1999 to in and around early 2003, in the District of New Jersey and elsewhere, defendant

ROBERT MONTANI

did knowingly and willfully conspire and agree with co-conspirator LABELLA and others to defraud the United States by impeding, impairing, obstructing and defeating the lawful governmental functions of the Internal Revenue Service of the Treasury Department to ascertain, compute, assess, and collect income taxes.

Object of the Conspiracy

3. It was the object of the conspiracy for the conspirators to obtain income from the use of Axxess International ATM/credit cards ("Axxess cards"), and conceal this income from the Internal Revenue Service.

Means and Methods of the Conspiracy

4. Among the means and methods employed by defendant MONTANI and his co-conspirators to carry out the conspiracy and effect its unlawful object were those set forth in Paragraphs 5 through 11 below.

5. As described in the incorporated paragraphs of Count One, defendant MONTANI, co-conspirator LABELLA and others used



Axxess cards to obtain the proceeds of the stock manipulation scheme. Defendant MONTANI and his co-conspirators used the Axxess cards in order to conceal the proceeds of the scheme and other income from the Internal Revenue Service.

6. Co-conspirator LABELLA failed to disclose and report the income he received through his Axxess card on his personal tax return for the years 1999, 2000, and 2001.

7. Defendant MONTANI failed to disclose and report the income he received through his Axxess card on his personal tax return for the years 1999, 2000, and 2001.

8. As a result of the conspirators' failure to disclose and report the income they received through the use of their Axxess International credit cards, the conspirators' tax returns substantially understated their income.

9. The income the co-conspirators failed to report on their personal returns for the years 1999, 2000 and 2001 exceeded \$150,000.

10. In or around late 2002 or early 2003, after the Internal Revenue Service detected defendant MONTANI'S use of his Axxess card, defendant MONTANI and co-conspirator LABELLA prepared and back-dated a bogus retention loan agreement for presentation to the Internal Revenue Service to cover up their past efforts to conceal income from the Internal Revenue Service.

Overt Acts

11. In furtherance of the conspiracy and in order to effect the object thereof, defendant MONTANI and his co-conspirators committed or caused the commission of the following overt acts in the District of New Jersey and elsewhere:

a. On or about November 17, 2001, in Cape May, New Jersey, defendant MONTANI used or caused the use of his Axxess card for a transaction valued at \$424.44.

b. On or about December 8, 2001, in Somers Point, New Jersey, defendant MONTANI used or caused the use of his Axxess card for a transaction valued at \$2,295.28.

All in violation of Title 18, United States Code, Section 371.

A TRUE BILL

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FOREPERSON

\_\_\_\_\_  
CHRISTOPHER J. CHRISTIE  
UNITED STATES ATTORNEY